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THE MOB, THE CIA, AND THE S&L SCANDAL

Does Pete Brewton's story check out?

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The mob, the CIA, and the S&L scandal

Does Pete Brewton's story check out?

BY STEVE WEINBERG

Steve Weinberg, former executive director of Investigative Reporters & Editors, is a contributing editor of CJR.

It seemed like a routine lead for what appeared to the exposé of the decade. Pete Brewton opened his February 4, 1990, front-page piece by writing: "Federal authorities are investigating Houston developer Robert L. Corson in connection with several failed financial institutions where fraud contributed to their demise, The Houston Post has learned."

It was not until the fourth paragraph that Brewton laid out his blockbuster findings: "During an eight-month investigation into the role of fraud in the nation's savings and loan crisis, The Post has found evidence suggesting a possible link between the Central Intelligence Agency and organized crime in the failure of at least 22 thrifts, including 16 in Texas."

That paragraph caused a ruckus that has failed to die down. Congress, the CIA, and law enforcement authorities have spent lots of time and energy trying to confirm or knock down Brewton's story and follow-ups about what caused the most expensive scandal in U.S. history.

The reaction from most journalists has been more muted. Few have praised Brewton's work unqualifiedly, and, by and large, the praise has come from journalists who are not part of the influential East Coast media that set the national news agenda. More commonly, journalists who don't know Brewton but have read at least some of his articles have tended to treat the findings skeptically or dismiss them as outlandish. The reaction of Texas journalists who do know him has been somewhat schizophrenic: they fear he may have scooped them, but murmur that he sees connections where others don't.

One of the few journalists to speak up has been Joe Goulden, a former newspaper reporter who now writes books and works for Accuracy in Media. In a recent telephone interview, he called Brewton's work "rambling, often murky," and in a *Washington Times* op-ed piece he wrote: "Contrary to Mr. Brewton's printed claim, he does not report a single instance where savings and loan money went to the CIA for covert operations or anything else."

Goulden has challenged Brewton: "Your articles repeat an ambiguous stock phrase — that your research '*suggests* that the CIA *may have used* part of the proceeds from S&L fraud to help pay for covert operations and other activities that Congress was unwilling to support publicly.' Does this use of such indefinite wording mean you are not sure of your charge? And if you are not sure, why put such sweeping accusations into print?"

Brewton has responded: "We know beyond a reasonable doubt that a number of CIA contract agents were involved in the looting and failure of … savings and loans across the country. The question is whether any of this money went to CIA covert activities. We in the press don't have subpoena power and can't track the money. That is up to Congress and the Justice Department, which have the power but have not exercised it…."

Whether Brewton's information is accurate or not is important. If he is wrong, the episode raises questions about why a metropolitan daily would jeopardize its reputation by publishing such sensational allegations, why the wire services would disseminate the stories, why Congress would look into his leads, why the CIA would exert such effort to discredit him — and what other journalists should be doing to set the record straight.

If Brewton's information is sound, the episode raises questions about why most news organizations have failed to assign their own reporters to the scandal and about whether the reaction might have been different had Brewton written the identical series for, say, *The Washington Post*. In fact, if Brewton is right, the nonreaction would be akin to *The New York Times* and other national news organizations deciding against following up the original Watergate stories by Bob Woodward and Carl Bernstein because the implications seemed so far-fetched.

Brewton, who is forty years old, joined *The Houston Post* in 1984, after having covered local government and courts at the rival *Houston Chronicle* for seven years. A sixth-generation Texan, he received a B.A. in philosophy from Rice University, an M.S. in astronomy (with a physics minor) from New Mexico State University, and a master's from the American Graduate School of International Management in Glendale, Arizona, before deciding on a journalism career.

Pete Brewton, in Denver, keeping up with the S&L story

His involvement with the savings and loan failure story began in 1987, when colleague Gregory Seay received a tip from an anonymous source about the failure a year earlier of Houston's Mainland Savings Association. Brewton, known inside the newsroom as a documents hound, was unenthusiastic about leaving other projects to help Seay. But he did so.

At the time, the conventional wisdom was that an economic downturn, combined with some S&L managers making unsound investments during a permissive era of government deregulation, had caused most of the problems. The anonymous tipster suggested that something more nefarious had been at work in the Mainland failure. So Brewton and Seay examined lawsuits, bankruptcy filings, corporation annual reports and charters, deeds, assumed-name filings, partnership agreements, tax appraisals, and files at two federal agencies — the Securities and Exchange Commission and the Federal Savings and Loan Insurance Corporation. They interviewed former Mainland employees, real estate brokers, investors, private investigators, federal regulators, FBI agents, U.S. attorneys, and banking experts.

Brewton and Seay's first enterprise article ran on June 7, 1987. It alleged that Mainland's collapse was tied to unsound, and possibly fraudulent, loans to a group of "New York apartment syndicators" — investors who assemble blocks of real estate and then offer them for sale to other investors.

The story contained no mention of organized crime or the CIA, but it prompted a source at the U.S. General Accounting Office to mention to Brewton that a New York criminal case contained a reference to Mainland. Brewton and Seay worked in the first reference to the Mafia on July 26, 1987, when *The Houston Post* led the Sunday paper with this: "Mainland Savings, whose failure is under federal investigation, got several million dollars of union pension funds from two New York financial advisers indicted for racketeering and fraud in connection with these deposits." The story linked the two advisers — Mario Renda and Martin Schwimmer — to each other and to organized crime.

So far, so good. The early stories were filled with verifiable information from named sources. They were remarkably free of the shaky suppositions and guilt by association that characterizes so much of what passes for reporting on organized crime.

There would soon be a story, however, that raised questions about whether *The Houston Post* was letting hypotheses get ahead of the facts. In a front-page September 13, 1987, piece, Brewton and Seay reported that Schwimmer was a Long Island neighbor of Howard Pulver, one of the New York apartment syndicators mentioned in the June 7 exposé. They stated that, as a result of their discovery, "the FBI and U.S. attorneys' offices in Houston and Brooklyn, N.Y., are investigating [seemingly separate Mainland Savings] deals to determine if they were connected, if they contributed to Mainland's failure, and if fraud was committed."

The story quoted Special U.S. Attorney Bruce Maffeo, part of the Justice Department's Organized Crime Strike Force in New York, as saying "the government appreciates The Houston Post's information." Assistant U.S. Attorney John Smith in Houston was quoted as saying, "sometimes reporters' investigations can lead other investigators to another direction to look into.... You hit a home run."

It was not until the fifteenth paragraph that Brewton and Seay conceded "The Post has found no evidence that Pulver and Schwimmer have any connection other than being neighbors." They had interviewed Samuel Wenger, "who lives next to Pulver and across the street from Schwimmer." Wenger said he knew both men, "but doesn't know if they know each other." Pulver told the reporters, who surprised him at his home, that he had no comment and that they had ten seconds to leave his property. Schwimmer, also surprised at home, responded "Who?" when asked about Pulver and Mainland, then slammed the door.

That Schwimmer and Pulver were neighbors was potentially significant, but probably should not have been the basis for a page-one story. Brewton says that the original version contained new material about organized crime connections, but that the *Post*'s law firm insisted on major deletions.

If Brewton is right, the nonreaction by the media would be akin to deciding against following up the original Watergate stories because the implications seemed so farfetched

CJR/Joel D. Draut/*The Houston Post*

Reporter Gregory Seay, who received the anonymous tip that led to the Post*'s full-scale investigation of failed savings and loans*

Despite his disappointment at the results of the lawyering, Brewton kept plugging away, sensing he was onto something bigger than anybody realized. Throughout 1988 his byline appeared on a great number of stories (sometimes alone, sometimes with Seay) purporting to show that organized crime was linked to S&L failures.

A break came when Brewton received a tip about a San Diego lawsuit that tied Mario Renda to Herman K. Beebe, Sr., a reputed associate of the Carlos Marcello crime family in New Orleans — and tied both men to various failed Texas S&Ls.

During 1987-1988, lengthy S&L stories appeared in seven major papers; not one attributed a significant role to organized crime or the CIA

Brewton traveled to California. The lawsuit contained several names unfamiliar to him, so he ran them through Nexis, a computerized data-base covering thousands of newspapers, magazines, newsletters, and government sources. From that search, he learned about additional suspicious linkages to explore.

So Brewton worked harder than ever to obtain documents deemed confidential, knowing that these might contain what he needed to connect the dots. Some documents appeared in plain brown envelopes. A source supplied a secret report on Beebe compiled by the federal Comptroller of the Currency. Another source sent Federal Home Loan Bank Board examination reports. Unconfirmed but potentially valuable law-enforcement reports also found their way to Brewton's desk.

Brewton and Seay laid out some of their new knowledge on February 11, 1988. They began:

> Two of the nation's biggest banking frauds under investigation by federal authorities involve a New York money broker and a Louisiana financier who have connections to financial institutions in the Houston area. The Houston Post has uncovered evidence that the two men — New York money broker Mario Renda and Louisiana financier Herman K. Beebe, Sr., who have not been connected publicly — are not only linked to each other but to organized crime.

Then came the paragraph on which *The Houston Post* has built ever since, the graph that provided the foundation for subsequent revelations involving the CIA:

> This evidence has some federal investigators questioning whether Renda and Beebe, who have both been convicted in unrelated prior federal felony cases, are part of a larger conspiracy by organized crime to control and loot banks and savings and loans throughout the country.

In September 1990, at CJR's request, Brewton permitted this reporter to examine numerous documents and to discuss human sources he could mention without breaking promises of confidentiality. The documentation was massive and impressive, but much of it could not have been divined simply by reading what appeared in the *Post*.

Other journalists, unaware of the full extent of Brewton's research, wondered about the validity of all the linkages. For instance, what significance could one attach to the fact that Renda and Beebe had "been named in separate legal actions with convicted Oklahoma businessman Charles Bazarian"; that Renda and Beebe both had accounts in an Encinitas, California, bank; that both men had "frequented" a California resort called La Costa, considered to be "a hangout for celebrities, politicians, and mobsters that was built by the mob with Teamsters Union pension funds"? A lot of journalists thought that the *Post* stories were filled with squishy speculation. As a result, they decided not to follow the paper's lead.

In short, *The Houston Post*'s revelations showed no sign of becoming the new conventional wisdom. Only after studying S&L coverage of other journalists is it possible to understand just how alone Brewton and Seay were during 1987-88. Lengthy stories appeared in the *San Jose Mercury News*, *The Orange County Register*, *The Dallas Morning News*, the *Los Angeles Times*, *The Wall Street Journal*, *The New York Times*, the *Chicago Tribune*, and *Business Week*. Not one attributed a significant role to organized crime or the CIA; most did not even mention the possibility. (Three little-known

reporters — Stephen Pizzo and Paul Muolo of *National Thrift & Mortgage News* and Mary Fricker of the Santa Rosa, California, *Press Democrat* — were in fact operating on the same hypothesis as Brewton. But they were collaborating on a book that would not be published until late 1989.)

So, in early 1988 *The Houston Post* was very much alone.

Still, the newspaper moved ahead, trying to build a case in print piece by piece. Brewton and Seay set out their hypothesis in the fullest form yet on March 13, 1988:

> When Texas savings and loans started dropping like flies in 1984, those who ran them pointed the finger at the declining Texas economy.... When federal regulators began examinations, however, they started saying there was something more than the economy to blame. Bad management, they said, was also a contributing factor.... But there was more. Regulators started uncovering possible deliberate efforts by certain insiders to overvalue property in order to secure higher loans. If proven, that would be fraud. When the regulators find what they think is fraud, they call in the FBI. At first it looked to the FBI like random, isolated cases of fraud by Texas wheeler-dealer developers who bought some savings and loans and got carried away. But as the FBI and federal prosecutors began to dig deeper, patterns emerged.... A couple of names — people who have alleged connections to mob figures — kept turning up at different savings and loans that had collapsed.

Despite his bewilderment at the nonreaction of fellow journalists, Brewton was hearing from one federal prosecutor that *The Houston Post* was on the right track, but was missing something even bigger than organized crime's involvement. The circumspect prosecutor would say nothing further, however.

While trying to puzzle out what the prosecutor meant, Brewton advanced the organized-crime connections in bits and pieces during the next few months of 1988. A few government officials began to take note. On October 8, Brewton reported that "The General Accounting Office ... has started an investigation into mob involvement in savings and loans failures across the country.... The sources said the GAO's investigation was prompted primarily by stories in The Post about reputed mob associates Herman K. Beebe, Sr., and Mario Renda and their connections to savings and loans and to each other...."

For a brief time, a few other journalists seemed to take notice. The GAO, after all, is the darling of the press. If that agency thought there was smoke, then there might well be fire. On October 9, the *Los Angeles Times* ran a brief item mentioning the GAO inquiry and crediting *The Houston Post*.

Even that sparse attention did not last. Computer data-base searches of hundreds of newspapers and magazines fail to turn up another reference to Brewton's continuing investigation until February 1990, when he wrote the words "Central Intelligence Agency."

Yet Brewton had some reason for encouragement. His newspaper, under new management, had hired C. David Burgin as the top editor. Burgin, more aggressive than his predecessor, spurred Brewton on, and assigned asssistant city editor Tim Graham, a veteran political reporter, to work with him.

Still, finding the time and resources to concentrate on the S&L story proved difficult. The *Post* was fighting for survival against the larger *Houston Chronicle*. And it was understaffed, so neither Brewton nor Graham could spend full time on the story. Thus, for example, during 1989 Brewton worked with three colleagues on a series detailing the backgrounds of corporations bidding for a license to operate a Texas dog-racing track.

But Brewton couldn't let the S&L story go, because by then he had hints of CIA involvement. A key source had emerged who knew a lot about Houston businessman Robert Corson, a name at first unfamiliar to Brewton, despite the local angle. Working with his source and a private investigator, Brewton found a self-proclaimed rogue CIA operative who recognized Corson's name. This person suggested to Brewton that the agency and organized-crime figures were working together.

"At first I said, 'C'mon, not the CIA and the mob together,'" Brewton recalled. "Then it seemed so obvious."

"At first I said, 'C'mon, not the CIA and the mob together,'" Brewton recalled. "Then it seemed so obvious"

By February, when Brewton got into print with his story implicating the CIA, McGraw-Hill had published Pizzo, Muolo, and Fricker's book under the title *Inside Job: The Looting of America's Savings and Loans*. The authors explain how a network of white-collar crooks, many with links to organized crime, had looted one S&L after the other. While they did not delve into alleged CIA participation, they did call attention to the possibility:

> Something else was going on at thrifts, too. We avoided dealing with it in detail because we never seemed to be able to get our arms around it, but it disturbed us and bears mention. Time and time again during our research we ran into people at failed thrifts who claimed to have connections with the CIA. We ran into individuals who we discovered were dealing secretly with the Contras, moving large sums of money here, there, and off to nowhere for what they claimed were covert purposes.

After providing examples, the trio continued:

> Experts had wondered how so many billions of dollars could just vanish from the thrift industry without a trace. If some of that money were channeled into the Contra pipeline or used to serve other legal or illegal covert pur-

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Houston developer and S&L operator Robert L. Corson, linked by a source to the CIA

It was Burgin's decision to run Brewton's stories not consecutively but whenever he, Graham, and the lawyers at Fulbright & Jaworski thought another piece of the puzzle was ready

CJR/Nancy Palmieri

Two sources who linked S&L failures to the CIA were former Justice Department prosecutor Lloyd Monroe (above) and self-proclaimed CIA rogue operative Richard Brenneke.

UPI/Bettmann

poses, that could certainly be one answer. One respected law-enforcement official told us that a man in prison for bank fraud had agreed to cooperate with him in an investigation of another bank fraud case, in exchange for a good word to the judge, until he was suddenly granted a White House pardon. The official said he was told the pardon was obtained through CIA chief Bill Casey.... We don't know *what* all that means. We didn't have time to investigate both that story and this one, but we want to be on the record as saying that we finally came to believe *something* involving the CIA and Contras was going on at thrifts during the 1980s.

Inside Job was widely reviewed, but almost all of the reviewers ignored the CIA references. Ironically, some reviewers praised the book but rejected its thesis — namely, that the failures were the result of a planned conspiracy. Economist John Kenneth Galbraith, for example, wrote in his *New York Review of Books* essay about *Inside Job* and two other books dealing with the scandal: "While there are some indications of a larger criminal network — the Mafia as ever — the S&L enterprises were overwhelmingly manned by local and independent operators who, seeing the opportunity, got into the game. Here was access on easy terms to nearly unlimited sums of public money."

Such widespread skepticism did not deter Brewton. His first story alleging CIA links appeared on February 4. Unfortunately, it was not a model of clarity. Houston developer Corson had been involved with a troubled S&L, to be sure. But what about Corson's CIA connection? The sum total of Brewton's published evidence consisted of this: "Corson is identified in federal law enforcement records as a 'known money launderer.' One former CIA operative told The Post that Corson frequently acted as 'a mule' for the agency, meaning that he would carry large sums of cash from country to country. The CIA would neither confirm nor deny whether Corson had a relationship with the agency." (Corson later wrote a four-page letter in which he denied knowing anyone connected with organized crime or the CIA.) Brewton also reported that the S&L operated by Corson had been involved in a Florida transaction arranged by Miami lawyer Lawrence Freeman, "a convicted money launderer with ties to CIA agents and organized crime figures."

Brewton's two named sources alleging a CIA link to S&L failures appeared in a related story the same day. One was Lloyd Monroe, identified as a "former prosecutor with the Justice Department's organized crime strike force ... now a fellow at Brown University." Monroe, according to Brewton, "said although he is convinced the CIA either masterminded or condoned a certain amount of S&L fraud, proving it would be extremely difficult." (It was Monroe who had told Brewton about the missing link.)

The second named source was Richard Brenneke, who said he had been a CIA contract agent — a claim denied by the agency.

It seemed a shaky foundation. What is a "former CIA operative"? How did Brewton know that Brenneke had in fact worked for the agency? And what proof, if any, did Brenneke have that Corson had acted as a mule? What evidence had Brewton seen that Lawrence Freeman was linked to the agency and to organized crime? On what evidence did former prosecutor Monroe base his assertions, and why was he no longer prosecuting cases for the government?

Any experienced journalist or intelligent reader surely would ask such questions, but in its February 4 package *The Houston Post* was keeping many of the answers to itself.

This was in large part because of decisions by editors. Originally, Brewton had turned in a multipart series that would have presented the evidence more fully on consecutive days. Burgin vetoed that approach. "Pete's original version was to S&Ls what *Moby Dick* was to whaling," Burgin recalled recently.

But Burgin did not want to sit on the CIA story too long. He had served as *Washington Star* city editor during Watergate, watching his paper get creamed by *The Washington Post* on the political scandal of the century. It was Burgin's decision to run Brewton's stories not consecutively but whenever he, Graham, and the lawyers at Fulbright & Jaworski thought another piece of the puzzle was ready — as *The Washington Post* had done during Watergate.

"I've been tougher and tougher on Pete," Burgin said. "When I ask certain questions, he'll roll his eyes and say, 'But look at this!' But whenever I think about us being the laughingstock of journalism, I think about what's happened to the billions of dollars missing. Where has it gone? We've got to keep trying."

Brewton has never worried about being a laughingstock, because he is convinced his stories are solid. "Sure, we've never had that one incriminating document from the CIA," he said. "But we've got a preponderance of circumstantial evidence, for which there's no other plausible explanation. The overall story is so important to this country that we have an obligation to print what we find. Is it a sensible alternative to write nothing? We're not a court of law, we're a newspaper." (In a courtroom, circumstantial evidence is usually considered as good as direct evidence — if there is enough of it.)

Naturally, Burgin worries about lawsuits, but none has been filed "despite our pointing fingers at lots of people." He also worries about physical

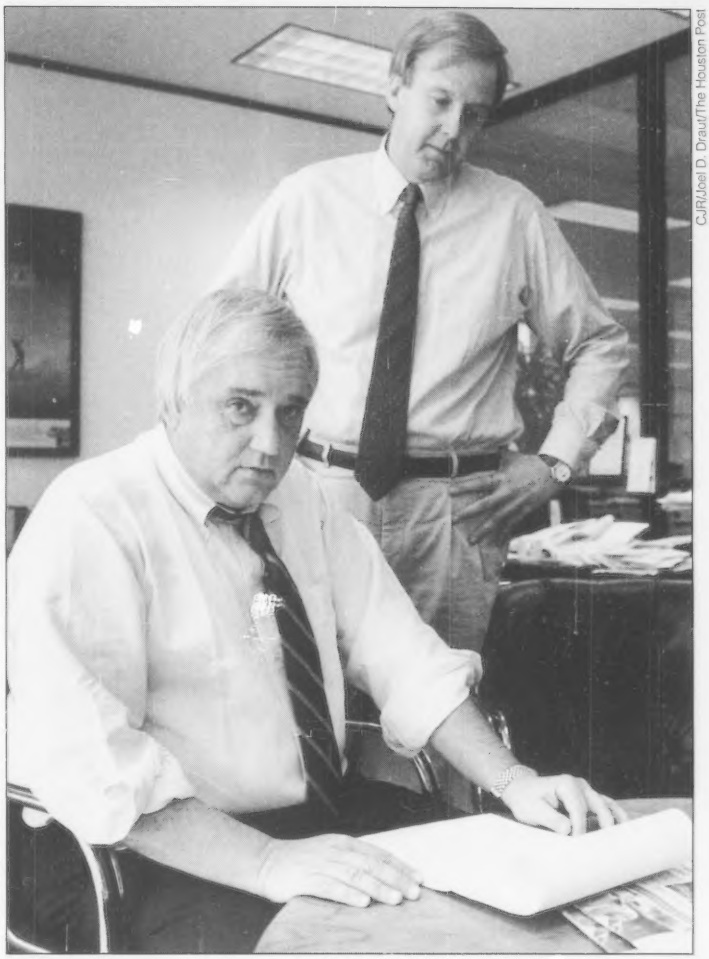
harm: "This is dangerous shit. Don Bolles met his maker for a lot less."

Whatever dangers might have been added by introducing the CIA into the story, the allegations were out there; the wire services were disseminating Brewton's sensational story around the nation. *USA Today* and National Public Radio transmitted the gist of it. A few wire service subscribers headlined it. For example, the Allentown, Pennsylvania, *Morning Call* played the wire service version at the top of page one on February 5, adding some of its own reporting on the Pennsylvania angle. The newspaper then gave staff writers Nancy M. Funk and Tom Lowry time to pursue the Pennsylvania angle — which had previously been reported in bits and pieces — leading to a four-part series that began on May 27. Funk and Lowry steered clear of the CIA linkage, however.

Meanwhile, back in February, Brewton received support when House banking subcommittee chairman Frank Annunzio asked CIA director William Webster to answer *The Houston Post*'s allegations (Webster later refused to appear before the subcommittee). The *Post* reported Annunzio's call on its front page on February 6, under the byline of Washington correspondent Juan R. Palomo, with a tagline crediting Brewton for additional reporting. Palomo also quoted from a denial by CIA public affairs director James W. Greenleaf. The denial stated specifically that Brenneke had never been employed by the agency in any capacity. The *Post* quoted Brenneke's rejoinder that he possessed a letter from the CIA stating he had worked for it. (At the time, Brenneke was about to come to trial on a federal charge that he had falsely claimed to be a CIA agent. A jury ruled in May that he was innocent of perjury.)

The story took another unexpected turn on February 8, when the *Post* ran a Brewton story about CIA involvement in the January 1984 failure of Indian Springs State Bank, of Kansas City, Kansas. The alleged link between the agency and the bank was Farhad Azima, an Iranian who had borrowed heavily from Indian Springs through his Global International Airways, which reportedly flew missions under contract to the CIA. The Indian Springs story was filled with verifiable details. In fact, some of it had been reported years earlier. At the time of the collapse in January 1984, Kansas City area media had dug into the reasons and had hinted at organized crime and CIA involvement. In November 1984, Richard Ringer and Bart Fraust of *American Banker*, a daily trade newspaper, had published a series about the role of Mario Renda's brokered funds in the Indian Springs collapse. But Ringer and Fraust said nothing directly about links between Renda and the Mafia; as for the CIA, there had been no reference at all.

So Brewton's story had added to knowledge about a seemingly closed case, as well as lending support to his overall hypothesis.



CJR/Joel D. Draut/The Houston Post

Post *executive editor C. David Burgin (seated) and assistant city editor Tim Graham*

On February 18, 1990, Brewton further bolstered his hypothesis with a front-page story that opened as follows:

> A central Texas savings and loan that had ties to associates of reputed organized crime figures lent $3 million in 1984 to a Miami banker with connections to Central Intelligence Agency operatives, The Houston Post has learned.... Evidence found by The Post suggests that some of this money may have been used to pay for covert CIA-sponsored activities, including aid to the Nicaragua Contras, that Congress was unwilling to support publicly.

Although the lead might have set a record for weasel words, the story was filled with facts. Brewton tracked the recipient of the $3 million loan, demonstrated that the loan procedure had been unusual, and showed how it had been used by the Miami banker. Evidence of any CIA linkage was buried way past the jump, however, and seems confusing even after five readings. Brewton later expressed regret that the story might have been

"We've never had that one incriminating document from the CIA," Brewton said. "But we've got a preponderance of circumstantial evidence, for which there's no other plausible explanation"

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both: courtesy Playboy Enterprises

The authors of Inside Job: The Looting of America's Savings and Loans — *Mary Fricker and Stephen Pizzo (above) and Paul Muolo — also called attention to the possibility of a CIA connection.*

hard to follow. "It made sense to me," he said. "I put the facts out there as best I could."

On March 2 the paper gave front-page play to a piece by Kathy Lewis of the Washington bureau. Lewis reported that the House Permanent Select Committee on Intelligence would investigate the *Post*'s findings. Annunzio had referred the allegations to that committee.

Although a few people in Congress were taking note of Brewton's work, the *Post* was frustrated by the lack of media attention. As a result, it published a sidebar to Lewis's March 2 piece. It summarized Brewton's findings, then noted:

> Although wire services have carried abbreviated accounts of The Post's stories, most of the national news media has been slow to react. Media critic Doug Ireland, in a column that appeared in the Feb. 28 edition of The Village Voice, chastised The New York Times, The Washington Post, and The Wall Street Journal for failing to respond to what he described as a "blockbuster series — rich in fascinating detail.... Brewton's massive, sharp-eyed probe has already uncovered enough leads to keep a brigade of reporters busy for months. The question that screams for an answer: Where are the so-called dailies of record?"

Not many journalists tried to answer that question publicly. Barbara Reynolds and Paulette Walker of *USA Today* were an exception. They quoted Brewton, who said, "The scandal occurred in Texas, California, Florida, Oklahoma, kind of out in the hinterlands. And to really go into a failed S&L, you have to turn it upside down and figure out why it failed. You have to get out there in the field and look at the documents in county courthouses. That is extremely hard, and reporters just hadn't done that."

Reynolds and Walker also quoted Donald Kellermann, director of the Times Mirror Center for the People & the Press, who said, "Scandals that involve money, bookkeeping, and accounting practices are very difficult to uncover.... You can criticize the press for not becoming aware of this situation much earlier, but it is a tough story to cover as well as to read about."

In a Q and A the same day with ABC News president Roone Arledge, Reynolds asked why television news had "virtually ignored" Brewton's CIA and organized-crime angles. Arledge responded: "I'm not certain that we have had enough hard information about the CIA involvement to go with an awful lot of that. There are so many charges and countercharges and so much political byplay... that sorting this all out is very complex." Rejecting such excuses, Ireland continued to use his *Village Voice* column to praise Brewton and chastise the national media. Precious few joined in. Several columnists complimented Brewton in print, as did the media criticism publication *Extra!* (published by Fairness and Accuracy in Reporting), the newsletter *Money Laundering Alert*, and *New York Times* op-ed essays by Roger Morris, an author who used to be a government national security official, and Jonathan Kwitny, for many years one of the top investigative journalists in America. In its May/June 1990 issue, CJR awarded Brewton and the *Post* a Laurel for his S&L reporting in the early months of 1990. That was about it, except for a June appearance by Brewton on the Phil Donahue syndicated television program.

Brewton did not let the overall lack of attention by the mainstream national news media get him down. On March 11, 1990, he produced another bombshell. The lead read:

> A failed Colorado savings and loan whose board of directors included a son of President Bush was part of an intricate web of federally insured financial institutions that had business links to organized crime figures and CIA operatives, The Houston Post has learned. Four of the largest borrowers at Silverado Savings and Loan, a Denver thrift that collapsed in December 1988 at an estimated cost to the federal government of $1 billion, had connections to convicted Louisiana mob associate Herman K. Beebe, Sr., or to Robert L. Corson, a Houston developer and alleged CIA operative. Three of the four also had independent business relationships with Neil Bush, who was a member of the Silverado board from 1985 until he resigned in August 1988, a week after his father won the Republican presidential nomination.

Although the story was based on voluminous paper trails, Brewton introduced no new evidence linking Corson to the CIA. As for other CIA linkages alleged by Brewton, they were buried so deep in the story and rendered so indirectly that for the uninitiated they were easy to brush off.

Bryan Abas, a reporter for the Denver alternative weekly *Westword*, looked into the CIA and organized crime linkages in the Silverado case. Abas cited Brewton's work, but was unable to pin down those linkages any more solidly.

On March 21, 1990, *The Washington Post* gave indirect support to Brewton with a story by Joël Glenn Brenner on the front of the business section. She reported allegations from a news conference by Robert Maxwell, a former vice-president at First National Bank of Maryland, that the Baltimore institution had "helped the Central Intelligence Agency launder money, set up secret bank accounts, and purchase arms." Brenner noted that the allegations came "on the heels of recent articles in The Houston Post alleging CIA involvement in covert financial operations with many failed banks and savings and loan institutions." Maxwell's charges, however, fell into a black hole as journalists failed to explore them after the provocative news conference.

Brewton himself had no time for the Maxwell

story; he was busy working other angles. His next piece appeared on April 4. It returned to Lawrence Freeman, the Miami lawyer alleged by Brewton in an earlier piece to be linked to the CIA and to a failed Texas thrift. The lead said:

A Florida land deal that caused savings and loans in Texas and Pennsylvania to lose more than $50 million was engineered by a Miami lawyer who laundered money for the Mafia and had ties to a prominent CIA official, The Houston Post has learned. The lawyer, convicted money launderer Lawrence Freeman, had longstanding relationships with the late notorious Mafia boss Santo Trafficante, Jr., and to the late Paul Helliwell. A founding member of the CIA, Helliwell participated in many covert operations, including efforts to overthrow Cuban dictator Fidel Castro. Freeman's links to Trafficante and Helliwell, and to other Mob associates and CIA operatives, raise questions about possible involvement by the CIA and organized crime in the nation's savings and loan crisis.

Brewton, who was able to reach Freeman by telephone, reported that the lawyer "did not deny working for the CIA.... He first replied, 'I don't know.' Then he said, 'No comment.'"

Although Brewton's story contained rich detail about Freeman's questionable dealings, it was short on published evidence concerning a major point — that money from the Florida land deal might have been diverted to "CIA-sponsored covert operations." Brewton never spelled out who told him that, how the source or sources knew, and what covert operations might have benefited.

Readers of *The Houston Post* that day necessarily lacked a sense of the weight of supporting evidence that could be gained only after days of reading through Brewton's massive files.

In front-page stories May 20 and June 10, Brewton introduced new characters, as well as new evidence about CIA and organized crime involvement. Principals in the stories wrote to *The Houston Post* with denials. *Post* editors and lawyers agreed with Brewton that no clarifications or corrections were necessary.

Still hoping that the series would lead to official investigations and win media attention, Burgin decided to showcase the findings on July 11, 1990 — a time when the national media converged on Houston to report on the economic summit attended by heads of state from Europe and Japan. Brewton reported that the House Intelligence Committee had been interviewing witnesses, including some who had been named by the *Post*. The story recapped the published evidence, naming six alleged "CIA operatives with links to failed S&Ls" and listing twenty-five "failed savings and loans where The Houston Post has found ties to organized crime figures, CIA operatives, or both."

On the same day, *The Houston Post* reprinted an article from the *Washington Journalism Review* quoting other journalists about Brewton's coverage. It was unusual for at least two reasons. First, metropolitan dailies rarely reprint anything from journalism reviews. Second, many of the journalists quoted either slammed Brewton and the *Post*, or admitted ignorance about the effort.

Undaunted, Burgin explained to readers why his newspaper was devoting so much space to a continuing series that seemed to lack conclusive proof of its hypothesis:

The press, of course, does not have subpoena powers. Investigative journalism basically is restricted to sources and public documents. At this juncture, at least, the "smoking gun" probably will have to be found by Congress or the Justice Department, which have subpoena powers.... Meanwhile, taxpayers somehow will have to foot the bill for these enormous losses. The Post will continue its investigation and hopes at the same time the national press, in the public's interest, will take a harder look.

Having studied Brewton's documentation, this reporter shares that hope.

On August 12, Brewton wrote up his interview with Ron Woods, nominated to be the next U.S. attorney in Houston. Woods promised to go after S&L fraud in general. Commenting on the *Post*'s findings, Woods said he had never run into CIA involvement while handling S&L cases in private practice. Brewton quoted Woods as saying the *Post* stories were "confusing. There were so many names." Brewton added: "Woods said he was not criticizing The Post's stories and admitted there was probably no other way to do them. And he pointed out that prosecutors have the same problem in presenting such cases to juries."

For now, whatever one U.S. attorney does, Brewton's reporting still is not the conventional wisdom. The rival *Houston Chronicle* has ignored the story. The city's alternative newspaper, the *Houston Press*, had done nothing substantive about the Brewton series despite its regular high-quality local media column. One joke circulating among dubious Houston journalists goes "Pete Brewton didn't write the stories, but he has been linked to them." Most journalists who cover S&Ls for the national media have read little or none of Brewton's coverage and generally expressed surprise that CJR might be taking the stories seriously.

During 1990 virtually every major news organization has done a wrap-up on what caused the S&L mess. None of the wrap-ups located by this reporter has mentioned Brewton's coverage. Only one, by L.J. Davis in the September issue of *Harper's Magazine*, has contained even a sentence about possible CIA involvement. And that sentence was written in a jesting tone, as if such a possibility were too incredible to be taken seriously. ◆

UPI/Bettmann

Brewton has linked big borrowers at the failed Silverado S&L, of which Neil Bush (above) was a director, to a convicted mobster and to alleged CIA operative Robert Corson.

Readers of The Houston Post necessarily lacked a sense of the weight of the supporting evidence that could be gained only after reading through Brewton's massive files